GO!
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April 12, 1996

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Mr. William F. Canton, Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

RE: WT Docket No. 96-59 / GN Docket No. 93-314

Dear Mr. Canton:

GO Communications, Corp. ("GO"), pursuant to Section 1.415 and 1.419 of the Commission's Rules, hereby submits an original and nine copies of the attached comment.

Please direct any inquiries concerning this matter to the undersigned.

Sincerely,

Steven A. Zecola

Steven A. Zecola
President & CEO
GO Communications Corporation
703-581-1402

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Amendment of Part 20 and 24 of the Commission's Rules -- Broadband PCS Competitive Bidding and the Commercial Mobile Radio Service Spectrum Cap	)	WT Docket No. 96-59
	)	
Amendment of the Commission's Cellular PCS Cross-Ownership Rule	)	GN Docket No. 93-314

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COMMENTS OF GO COMMUNICATIONS CORPORATION

GO Communications Corporation ("GO") hereby submits its comments in response to the Notice of Proposed Rulemaking in the above-captioned proceeding.

I. Summary. GO believes all of the rules for the C block auction are appropriate for entrepreneurial and small business applicants in the D, E and F block auction -- with one major exception. That exception is that the Commission should require bidders to submit a pre-auction upfront payment equal to 20% of the total amount bid during the auction. This down payment would satisfy the Commission's objective of the down payment of "ensur[ing] that only serious and qualified bidders participate in the Commission's spectrum auctions, and to defer frivolous or insincere bidding". The 20% down payment would ensure that the bidders could make their full 10% down payment at the time of licensing as well as cover a year's worth of interest on the debt. The FCC could allow the amount of the down payment to be increased during the auction if prices become higher than originally forecast.

II. Argument. Economic theory suggests that those who value the spectrum most highly will pay the most for the spectrum. This theory is predicated on the belief that those who value the spectrum most highly will provide the greatest benefits to consumers and will achieve the greatest earnings. Hence, the Commission's public interest mandate would thus be fulfilled by such an efficient auction.

However, the C block auction has shown that those who paid the most for the spectrum simply were those who were willing to engage in greatest amount of speculative excess. In particular, the largest bidders appear to have wagered all of their capital simply to cover the 5% down payment due immediately after the auction. These bidders will need to raise substantial sums of money to make the additional 5% down payment due after licensing (i.e., $500M) and the subsequent interest payments, which will be over $600 million per year.

The Commission has recognized that granting licenses to undercapitalized bidders would undermine Section 309(j)(2)(B) of the Communications Act. Moreover, in the Second Report and Order at fn. 131 the Commission noted that Section 309(j)(5) compels the Commission to deter speculation in the auctions.

Nevertheless, in the Fourth Memorandum Opinion and Order and in the Fifth Memorandum Opinion and Order in PP Docket No. 93-253 declined to address the

Petition for Reconsideration of Roland A. Hernandez, filed August 22, 1994, that the Commission require bidders to demonstrate their ability to pay the entire down payment and meet the terms of an installment payment plan when the short-form application is filed.

While we can understand the Commission's resistant to additional administrative work prior to the auction, we disagree with the Commission's conclusion in the Fifth Memorandum Opinion and Order that the existing requirements adequately measure an applicant's ability to pay. In the C block auction, applicants routinely bid more than fifty times the amount on deposit with the Commission. In fact, the Commission's upfront payment is only based on POP eligibility and is silent on how much is paid for the eligible POPs. The reality is that there is NO limit on what an applicant can bid at all, let alone in relation to what it can afford to bid. The simple solution to curb the speculative excess of the C block auction from recurring is for the Commission to supplement its rules to require entrepreneurial applicants to maintain an upfront payment that is equal to or greater than the 10% down payment at the time of licensing plus an additional 10% to cover interest payments. If prices in the auction are higher than expected, applicants should be afforded an opportunity to increase their upfront payment to allow additional bidding.

III. Conclusion. The FCC's rules for the C block are appropriate and necessary for entrepreneurial and small business applicants in the D, E, and F block auctions.

However, the FCC should supplement its rules to require applicants to submit upfront payments that cover 20% of their outstanding bid amount in any given round of bidding.

Respectfully Submitted,
GO Communications Corporation

By. Steven A. Zecola

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